



EUROPEAN CENTRAL BANK

EUROSYSTEM

Antonio SÁINZ DE VICUÑA
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Dear Dr. Levy,

Upon receipt of your letter dated 30 August 2010, I have been informed that my letter of reply to your original letter dated 1 July 2010 was never sent due to an administrative mistake. I deeply apologise for the inconvenience caused and attach my original reply.

Yours sincerely,

Antonio Sáinz de Vicuña
Director General Legal Services



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Dear Dr. Levy,

Thank you for your letter dated 1 July 2010 addressed to the European Central Bank. Please note that the Monetary Agreement between the European Union (EU) and the Vatican City State of 17 December 2009 (the “EU-Vatican Monetary Agreement”) was entered into by the EU pursuant to Article 219(3) of the Treaty on the Functioning of European Union (TFEU). Under this provision the EU Council, acting on a recommendation from the European Commission, and after consulting the European Central Bank (ECB), decides the arrangements for the negotiation and conclusion of monetary agreements with third States. In the case of the EU-Vatican Monetary Agreement, the position to be taken by the EU regarding the renegotiation of this Agreement was set out in an EU Council Decision of 26 November 2009.¹ Article 3 of this Decision clarifies that the negotiations with the Vatican City State were required to be conducted by the Italian Republic and the European Commission on behalf of the EU, that the ECB was required to be fully associated with the negotiations, but that the ECB’s agreement was required only on those issues falling within the ECB’s fields of competence. Consistent with this mandate, Mr. Joaquín Almunia, former Member of the European Commission responsible for Economic and Monetary Affairs, signed the EU-Vatican Monetary Agreement for the EU. The EU-Vatican Monetary Agreement also specifies that the EU is represented by the European Commission and by the Italian Republic.

Regarding the ECB’s fields of competence under the EU-Vatican Monetary Agreement, while the ECB has an exclusive competence to authorise the issue of euro banknotes within the EU, the ECB’s competences in the area of euro coins is more restricted. In accordance with Article 128(2) TFEU it is the EU Member States, which issue euro coins, subject to the approval by the ECB’s Governing Council of the volume of the issuance. It is the EU Council, on a proposal from the European Commission, and again only after consulting the ECB, which adopts measures to harmonise the denominations and technical specifications of all coins intended for circulation to the extent necessary to permit their smooth circulation within the EU. This narrow competence of the ECB with respect to coinage matters under EU law is directly reflected in the provisions of the EU-Vatican Monetary Agreement, Article 6 of

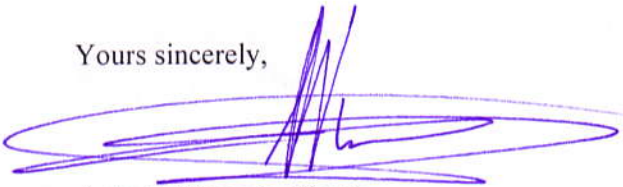
¹ Council Decision of 26 November 2009 on the position to be taken by the European Community regarding the renegotiation of the Monetary Agreement with the Vatican City State. Official Journal of the European Union, L 321,

which requires that the volume of euro coins issued by the Vatican City State will be added to the volume of coins issued by Italy for the purposes of the ECB approval of the total volume of the issue by that Member State in accordance with Article 128(2) TFEU.

You also make reference in your letter to Article 8(1) of the EU-Vatican Monetary Agreement. Under this provision the Vatican City State undertakes to adopt all appropriate measures, through direct transpositions or possibly equivalent actions, with a view to implementing the EU legal acts and rules listed in the Annex to the Agreement, in the field of: (a) euro banknotes and coins; and (b) prevention of money laundering, prevention of fraud and counterfeiting of cash and non-cash means of payment, medals and tokens and statistical reporting requirements. Article 8(3) further clarifies that the Annex will be amended annually by the Commission. The Commission's role in this particular respect complements the Commission's general legislative role under the EU Treaties.

Against this background, we suggest that you refer this matter to the Cabinet of the Member of the Commission responsible for Economic and Monetary Affairs for further consideration.

Yours sincerely,



Antonio Sáinz de Vicuña

Director General Legal Services